



Substitute Senate Bill No. 1350

Public Act No. 05-261

AN ACT CONCERNING THE INTEREST EARNED ON LAWYERS' CLIENTS' FUNDS ACCOUNTS PROGRAM.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Section 51-81c of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2005*):

(a) A program for the use of interest earned on lawyers' clients' funds accounts is hereby established. The organization administering the program shall use such interest to provide funding for (1) the delivery of legal services to the poor by nonprofit corporations whose principal purpose is providing legal services to the poor and (2) law school scholarships based on financial need. Each lawyer and law firm having a clients' funds account shall participate in [such] the program. On and after July 1, 2005, each entity, other than a borrower, having an account established to receive loan proceeds from a mortgage lender, as defined in this subsection, shall participate in the program. Under the program, funds in accounts established to receive such loan proceeds, regardless of the amount or period held, and clients' funds [which] that are less than ten thousand dollars in amount or [are] expected to be held for a period of not more than sixty business days, shall be deposited by participating lawyers, [and] law firms and entities in interest-bearing accounts specifically established pursuant to

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[this] the program. Funds deposited in such accounts shall be subject to withdrawal upon request by the depositor and without delay. The interest earned [thereon] on such accounts shall be paid to an organization qualified under Section 501(c)(3) of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, which shall be designated to administer [such] the program by the judges of the Superior Court pursuant to subsection (b) of this section. Nothing in this section shall prevent (A) a lawyer or law firm from depositing a client's funds, regardless of the amount of such funds or the period for which such funds are expected to be held, in a separate interest-bearing account established on behalf of and for the benefit of the client, or (B) an entity from depositing a person's loan proceeds, regardless of the amount of such proceeds or the period for which such proceeds are expected to be held, in a separate interest-bearing account established on behalf of and for the benefit of the person. The organization administering the program shall mail to each lawyer, [or] law firm and entity participating in the program a detailed annual report of all funds disbursed under the program including the amount disbursed to each recipient of funds. Any recipient of funds under the program which, using program funds, represents a party in an action filed after July 1, 1992, against the state or any officer or agency thereof and is awarded attorney's fees in such action by the court, shall reimburse the program for the amount of attorney's fees received in proportion to the percentage of program funds used for the litigation. No recipient of funds under the program may use such funds to pay the occupational tax imposed pursuant to section 51-81b on behalf of any attorney. As used in this section, "mortgage lender" means any person engaged in the business of making first mortgage loans or secondary mortgage loans, including, but not limited to, a bank, out-of-state bank, Connecticut credit union, federal credit union, out-of-state credit union, first mortgage lender required to be licensed under

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sections 36a-485 to 36a-498a, inclusive, or secondary mortgage lender required to be licensed under sections 36a-510 to 36a-524, inclusive.

(b) The judges of the Superior Court shall adopt rules to implement [this] the program for the use of interest earned on lawyers' clients' funds accounts, provided nothing in this section shall grant to the judges of the Superior Court or any other judicial authority any legislative, regulatory or rule-making authority over banks, insurance companies or other financial institutions.

(c) [This] The program shall not require the banking corporations or financial institutions receiving such funds, holding such accounts and paying interest [thereon] on such accounts to the depositors of the account to perform any additional administrative functions or assume any additional responsibilities or obligations in connection with [such] the program or the accounts so maintained.

(d) An advisory panel shall be established to perform the functions described in subsection (e) of this section consisting of five members to be selected as follows: Three members shall be appointed by the Governor, one of whom shall be an executive director of a nonprofit corporation which provides legal services to the poor in this state; and two members shall be appointed by the cochairpersons of the [judiciary committee] joint standing committee of the General Assembly having cognizance of matters relating to the judiciary. Each member of the panel shall serve for a term which is coterminous with the term of [his] the member's appointing authority. A vacancy shall be filled by the original appointing authority for the balance of the unexpired term.

(e) The advisory panel shall: (1) Consult with and make recommendations to the tax-exempt organization administering the program regarding the implementation and administration of the program, including the methods of allocation and the allocation of

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funds to be disbursed under [such] the program; (2) review and evaluate, and monitor the impact of the program; and (3) report on the program to the [judiciary committee] joint standing committee of the General Assembly having cognizance of matters relating to the judiciary and to the Chief Court Administrator, as may from time to time be requested.

Approved July 13, 2005